

DISBARMENT. In the Matter of Robert H. Hallsted, Jr., No. 646, 2006. Effective Date: January 8, 2007.

On January 8, 2007, the Delaware Supreme Court ordered the disbarment of a Delaware lawyer, Robert H. Hallsted, Jr., based upon his misappropriation of funds held in trust for a client.

Prior to imposing this final sanction of disbarment, the Court suspended Hallsted on an interim basis on November 10, 2004, having found that he had engaged in professional misconduct and posed a significant threat of substantial harm to the public and to the orderly administration of justice. In late September 2004, the ODC requested an investigative audit of Hallsted's books and records and all records associated with the trust. A review of the records revealed that Hallsted issued legal fees to himself out of the trust of approximately \$314,000.00. There was no documentation provided to support the issuance of the legal fees. Hallsted's misconduct involved the following rules:

Rule 1.5(a) requires that a "lawyer's fee shall be reasonable." By charging more than \$314,000.00 in legal fees for his work on the trust, Hallsted violated Rule 1.5(a). By misappropriating more than \$314,000.00 without performing legal work to earn such fees, Hallsted failed to safeguard the property of the trust in violation of **Rule 1.15(a)**. Additionally, by failing to maintain a detailed accounting of time spent and legal fees earned and disbursed, and by failing to preserve bank statements from July 1999-December 1999, Hallsted failed to maintain complete records for funds of the trust, in violation of **Rule 1.15(a)**.

Rule 1.15(b) requires that a lawyer holding funds in which a client or third person has an interest shall promptly render, upon request, a full accounting regarding such funds. By failing to provide an accounting of the funds held in the trust when requested to do so by the beneficiaries, Hallsted violated Rule 1.15(b). By failing to maintain proper financial books and records for the trust, Hallsted violated **Rule 1.15(d)**.

Rule 3.4(c) provides that a lawyer shall not "knowingly disobey an obligation under the rules of a tribunal except for an open refusal based on an assertion that no valid obligation exists." By failing to abide by several orders from the Court of Chancery to file an accounting of the trust, Hallsted violated Rule 3.4(c). By failing to respond to

demands for access to records and information by the auditor and the ODC, Hallsted violated Rule **8.1(b)**. In addition, Hallsted filed with the Supreme Court Certificates of Compliance for 1999, 2000, 2001, 2002, and 2003, falsely representing that he had only one trust account and one operating account. This conduct involved dishonesty, fraud, deceit, and misrepresentation and violated **Rule 8.4(c)**.

The Court of Chancery relies on the accountings filed by trustees for the orderly administration of justice. By failing to provide an accounting of the trust to the Chancery Court as directed, Hallsted engaged in conduct prejudicial to the administration of justice, in violation of **Rule 8.4(d)**. Furthermore, the Delaware Supreme Court relies upon the annual registration statements and certificates of compliance for the orderly administration of justice. Hallsted filed Certificates of Compliance with the Supreme Court falsely representing that he had only one trust account and one operating account. This conduct violated **Rule 8.4(d)**. Pursuant to Rule 17(e) of the Delaware Lawyers' Rules of Disciplinary Procedure, Hallsted and the ODC signed and submitted for the Court's approval a stipulation seeking Hallsted's disbarment without further proceedings.